

Q2 2017



City of Seal Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Seal Beach In Brief

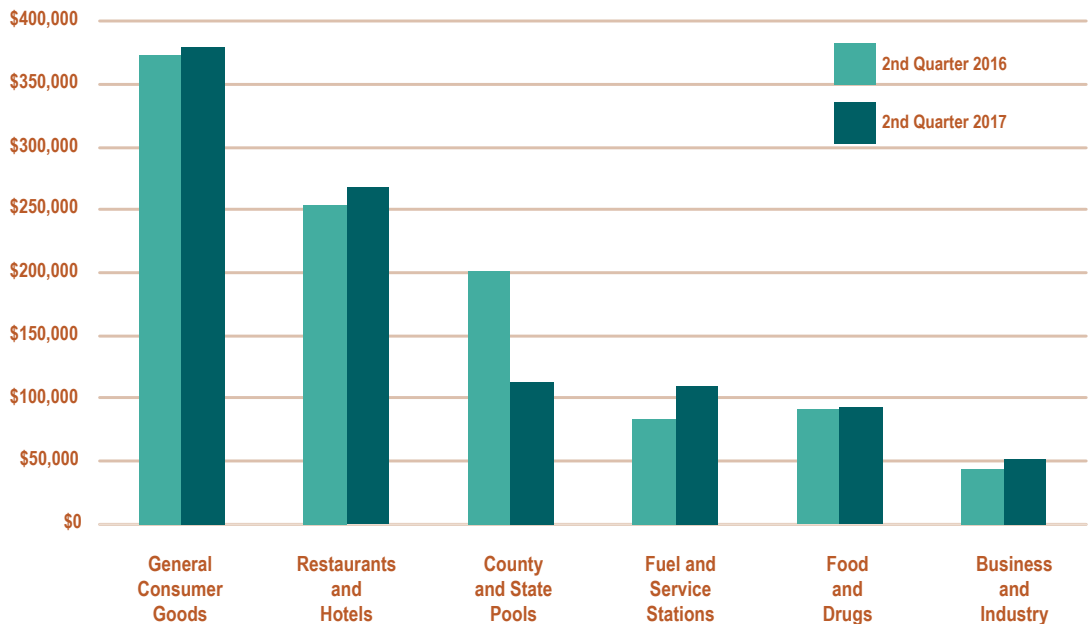
Seal Beach's receipts from April through June sales declined 2.5% compared to the same quarter one year ago, but large adjustments to the county use tax pool that hiked last year's proceeds and cut this year's allocation skewed the data. Actual sales activity rose 2.6% net of these and other anomalies.

Higher gas prices buoyed postings from the fuel and service station group while several categories within the restaurant group reported increased sales. Payment aberrations inflated results from casual dining, the automotive group and several categories of consumer goods but understated gains from the business and industry group.

Increases were partially offset by declines in some classifications of consumer goods.

Adjusted for onetime reporting events, taxable sales for all of Orange County grew 4.1% over the same period; Southern California regional totals were up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Old Ranch Country Club
AT&T Mobility	Original Parts Group
Bed Bath & Beyond	Pavilions
California Pizza Kitchen	Petsmart
Chevron	Ralphs
Chick Fil A	Roger Dunn Golf Shop
CVS Pharmacy	Spaghettini
Energy Tubulars	Sprouts Farmers Market
Home Goods	Target
In N Out Burgers	Toys R Us
Kohls	Ulta Beauty
Marshalls	Walts Wharf
Mobil	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$868,890	\$930,448
County Pool	201,087	113,173
State Pool	326	(480)
Gross Receipts	\$1,070,304	\$1,043,141
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

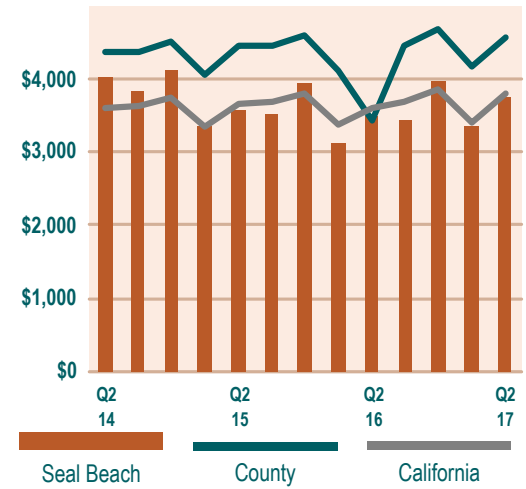
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

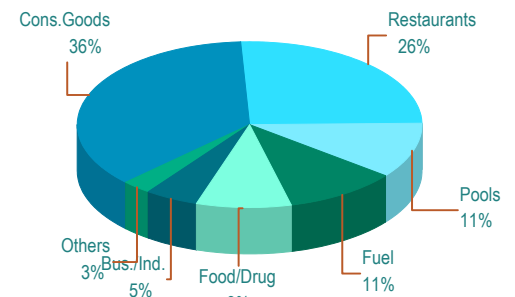
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Seal Beach This Quarter



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q2 '17	Change	Change	Change
Casual Dining	140,402	5.7%	2.3%	1.9%
Department Stores	— CONFIDENTIAL —	—	-4.4%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.8%	3.2%
Drug Stores	— CONFIDENTIAL —	—	-1.5%	0.8%
Electronics/Appliance Stores	33,984	15.8%	-5.4%	0.3%
Family Apparel	— CONFIDENTIAL —	—	7.7%	4.0%
Fast-Casual Restaurants	31,474	-0.3%	9.5%	9.2%
Grocery Stores	58,097	1.3%	1.9%	2.1%
Home Furnishings	48,810	0.4%	-2.2%	0.5%
Leisure/Entertainment	— CONFIDENTIAL —	—	8.6%	6.5%
Quick-Service Restaurants	59,852	5.5%	5.7%	5.9%
Service Stations	92,268	11.6%	5.8%	8.6%
Specialty Stores	46,496	3.7%	6.0%	1.4%
Sporting Goods/Bike Stores	22,934	17.6%	-16.3%	-15.1%
Women's Apparel	36,333	0.6%	-4.6%	-3.8%
Total All Accounts	930,448	7.1%	33.4%	6.4%
County & State Pool Allocation	112,693	-44.0%	-30.3%	-9.9%
Gross Receipts	1,043,141	-2.5%	21.5%	4.1%